Oklahoma International Trade Bulletin

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Doing Business in Japan Workshop to be held in Oklahoma City on January 24th and Tulsa on January 25th

The Japan External Trade Organization (JETRO), Oklahoma U. S. Export Assistance Center, and the Oklahoma Department of Commerce in coordination with the Greater Oklahoma City Chamber of Commerce and the Tulsa Metro Chamber of Commerce, will host a workshop in Oklahoma City on January 24, 2006, and in Tulsa on January 25, 2006, on ***Doing Business in Japan***.

Registration will begin at 10:00 a.m. The workshop will be held from 10:30 a.m. to 1:00 p.m. The Oklahoma City workshop will be located in Gallery I-I at the Oklahoma Department of Commerce, 900 North Stiles Avenue, Oklahoma City. The Tulsa workshop will be located in room 150 of the North Hall at the OSU-Tulsa, 700 North Greenwood Avenue, Tulsa.

The workshop will include a discussion of the market, culture, and infrastructure in Japan, and other topics that would attract active participation. Any company interested in exporting to Asia and Japan would benefit from the workshop, which will include comments from Oklahoma companies already doing business in Japan. Participants will also receive advice on the benefits of trade ties with Japan and partnerships with Japanese industries that could tap into worldwide markets.

There is no cost to attend the workshop, but ***advance registration is required by January 20, 2006***, due to limited seating. ***The workshop will also include a catered luncheon of Japanese cuisine hosted by JETRO.***

For your convenience, a registration form is included on page 3 of this newsletter.

For further information or registration, call 405/608-5302 or 918/581-7650.

Doing Business in Japan: Market Approach Brief

Using an Agent or Distributor

Establishing a direct presence in Japan is the best way to penetrate the Japanese market, but can be a prohibitively expensive strategy to launch. The use of agents/distributors is a more realistic marketing strategy for a small or medium-sized U. S. firm, but this approach requires great care in the selection of the representative. Distributors in Japan usually cover a specific territory or industry. Import agents are often appointed as sole agents for the entire country (although there is no statutory requirement that this be done). In some cases exclusivity may be necessary to ensure a strong commitment by the Japanese agent towards expanding sales. But under no circumstances should a U. S. company be pressured into handing over control of the whole market if there is doubt as to the ability or willingness of the Japanese company to develop the entire market. Regional exclusivity, a limited term of representation, minimum sales, or qualitative indicators of sales efforts are good strategies as a safeguard in exclusive agency contracts.

While the Japanese Fair Trade Commission has guidelines applicable to exclusive agency contracts, there are no statutory damages required upon termination of an agency contract. Given the close-knit nature of business circles and the traditional wariness towards foreign suppliers, replacing a Japanese agent or distributor could cause reputation problems if not handled in an extremely sensitive manner. The U. S. company may be viewed as lacking adequate commitment to Japanese business relationships. Japanese agents may request "parting compensation" in the event the foreign exporter decides to dissolve a business relationship. It's a common practice domestically, so U. S. companies should address the eventuality with a potential agent/distributor prior to executing a contract.

A common mistake made by many U. S. firms is to try to use a list of importers as a basis for "cold calls" on prospective agents. The Japanese prefer to do business with someone only when they have been properly introduced and have met face-to-face. To help dispel reluctance on the Japanese side, an introduction by a "go-between" typically serves to vouch for the reliability of both parties. Appropriate third parties for such introductions include other Japanese firms, U. S. companies that have successfully done business in Japan, banks, trade associations, chambers of commerce, the U. S. Department of Commerce and the U. S. Commercial Service in Japan. U. S. state representative offices in Japan, JETRO, or even Japanese government ministries can also offer assistance.

U. S. companies should be selective in choosing a Japanese business partner. Credit checks, a review of the Japanese company's industry standing and existing relations with Japanese competitors, and trust-building are all part of the process. A company should conduct the same due diligence that it would do if it were partnering with another U. S. firm.

Part of the difficulty in choosing a Japanese agent is assuring that the agent will devote sufficient attention to expanding the market share of the U. S. product. A U. S. company should probably avoid a distributor that targets only limited, high-price niches; is compromised by strong ties to one particular industry group ("keiretsu"); fails to compete directly with established Japanese products; or is not prepared to pursue volume sales for the U. S. exporter. Also, companies should be wary of distributors that co-handle competitors lines, or products that are complimentary in nature and could present conflicts of interest for the distributor.

To attract a Japanese business partner, a U. S. exporter must present an image of dependability, innovation, superior quality, competitiveness, and a commitment to building personal relationships. A U. S. company should show that it is well regarded in its industry; that it has researched the market; that it is prepared to respond to cultural requirements (e.g., by preparing high-quality marketing materials in Japanese on the company and its products/services); and that it responds promptly to all inquiries from Japan. Frequent communication by fax, email or phone is crucial. Regular visits to Japan are a must, as are offers to host new partners on reverse trips to U. S. headquarters to view manufacturing and operations.

Establishing an Office

Although still very costly, establishing a presence and an office in Japan has become a less expensive undertaking given the recent decrease in the cost of labor, office rent, and other expenses.

A U. S. company that wishes to collect information and/or improve communication with business contacts in Japan may wish to establish a representative office. A liaison office can obtain market data and other information and provide necessary promotional and service support. A representative office is not subject to Japanese taxes and it is not necessary to obtain special approval to be established. However, a representative office must not involve itself in commercial transactions or generate income, and therefore cannot handle commercial orders directly. The liaison office may provide guidance and support to an agent and manage all marketing activities except for the actual sale. A branch office of a U. S. company can engage in trading, manufacturing, retailing, services, or other business. A branch office may take and fill orders and carry out a full marketing program, including arranging for advertising, recruiting a sales force and performing all necessary promotional activities. A branch is liable for payment of Japanese taxes. The branch must appoint a resident representative in Japan and must register with the Legal Affairs Bureau of the Ministry of Justice. In addition, the establishment of a branch office is considered a direct investment under the Foreign Exchange and Foreign Trade Control Law requiring reporting to the Ministry of Finance through the Bank of Japan within 15 days after the establishment of the branch office. Prior notification is required when the investment involves types of industries which could endanger Japan's national security, or disrupt the country's law and order, and also which might adversely and seriously affect the smooth performance of the Japanese economy. Industry sectors which may be affected include aircraft manufacturing, arms, nuclear energy and related industries, narcotics and vaccine manufacturing, agriculture, forestry, fisheries, oil, and leather product manufacturing.

A fourth approach is to pool resources of several firms having complementary product lines. Such a group might establish a marketing association, consortium, or jointly owned export management company, and set up a sales and service branch or subsidiary office in Japan. The financial crunch affecting many Japanese companies now provides U. S. companies with excellent opportunities to establish or acquire businesses in Japan.

U. S. companies should also carefully examine the Japanese Ministry of Economy, Trade & Industry's (METI) programs for promoting imports and foreign investment into Japan. Programs include loans available through the Japan Bank for International Cooperation and the Development Bank of Japan. Entry-level business support programs are provided by the Japan External Trade Organization (JETRO) as well as some municipal and prefectural governments. Current information on investing in Japan, establishing an office, and other JETRO programs for foreign businesses can be found on JETRO's website at http://www.jetro.go.jp/en/invest/setting_up/section1.

html.

Franchising

With over 1,000 chains, Japan's franchise industry is the second largest in the world in total sales, and the number of outlets exceeds 220,000. Approximately 40 percent of total sales at franchise outlets are from convenience stores, and about 21 percent from food service chains.

American franchising heavily influenced the development of Japan's franchise industry in the 1980s and many successful U. S. chains entered the market during this period. Although Japanese consumers are generally receptive to American franchise concepts, products and services must be localized to ensure success in Japan. U. S. franchisers are more often successful by seeking either a master franchisee or joint venture partner to develop the market in Japan identifying the right business partner in Japan requires time and effort, and because of the current economic slowdown in Japan, it is increasingly difficult to find companies that are willing to invest in master franchise rights.

For further information, please contact either one of our Oklahoma offices, or visit www.export.gov.

Middle East North Africa Business Information Center: Doing Business in the Middle East and North Africa

The countries that make up the Middle East and North Africa have a combined population of more than 320 million and form an area of tremendous strategic and economic importance to the United States. Although doing business in the Middle East can present some unique challenges, many U. S. companies have found a high source of demand for their goods and services in the region. The U. S. free trade agreements (FTAs) with Israel and Jordan have further opened the way for American companies seeking to trade with Middle Eastern partners. In addition, the United States is promoting free trade agreements with other states in the region including Morocco, Oman, and the United Arab Emirates. When doing business in the Middle East, American businesses benefit greatly from basic knowledge of conditions in and customs of Middle Eastern and North African countries.

CAN U. S. COMPANIES TRADE WITH THE MIDDLE EAST AND NORTH AFRICA?

Given the current uncertainty about U. S. relations with some countries in the Middle East and North Africa, businesses may wonder whether there is a market for their goods in the region. In fact, exports from the U. S. have become a part of daily life in the Middle East and North Africa. During 2004, American businesses exported goods and services valued at more than $23.5 billion to the region, with Saudi Arabia and Israel serving consistently as the largest Middle Eastern buyers of American goods.

There are, however, countries in the Middle East and North Africa against which the United States maintains comprehensive trade sanctions. American companies are generally prohibited from trading with Iran and Sudan. There are limited exceptions to these sanctions, primarily involving the export of food, medicine and medical supplies, as well as trade in informational materials. And although restrictions have been lessened in other countries (such as Iraq or Libya),

Doing Business in Japan Workshop

January 24, 2006 - Oklahoma City
Oklahoma Department of Commerce
900 North Stiles Avenue
Gallery I-I
Oklahoma City, Oklahoma

January 25, 2006 - Tulsa
OSU-Tulsa
700 North Greenwood Avenue
Room 150, North Hall
Tulsa, Oklahoma

Doing Business in Japan Registration Form - Send by January 20, 2006

Mail to: 301 N. W. 63rd St., Suite 330; Oklahoma City, OK; 73116 **Fax to:** (405)608-4211 or (918)581-6263 **E-mail to:** oklahomacity.office.box@mail.doc.gov

Name: ____________________ Firm: ____________________

Address: ____

City: ____________________ State: ____________ Zip: ________

Telephone: ____________________ Fax: ____________________

e-mail: ____________________ Website: ____________________

Number of Attendees: ______________________________

Check which workshop you will be attending: Oklahoma City ______ Tulsa _____ there are important restrictions U. S. exporters need to know. To learn more about U. S. sanctions, please contact the U. S. Treasury Department's Office of Foreign Assets Control at 1-800-540-6322 or visit its website at http://www.treas.gov/ofac.

In addition to the countries mentioned above, there are four lists of entities and individuals with whom U. S. persons are not allowed to do business. These lists include individuals, groups, and entities such as terrorists and narcotics traffickers designated under programs that are not country-specific. Many of these parties are located in the Middle East and North Africa, but not necessarily in sanctioned countries. American companies are obligated to conduct due diligence to ensure that they comply with all U. S. regulations, including country embargoes, license requirement, and prohibited party bans. For more information about these lists and other export controls, see the TIC article for Export America titled Export Controls at http://www.trade.gov/td/tic/.

Some products may require licenses, particularly in situations involving national security, foreign policy, short-supply, nuclear non-proliferation, missile technology, chemical and biological weapons, regional stability, crime control, or terrorist concerns. The Department of Commerce's Bureau of Industry and Security (BIS) has primary responsibility for the licensing of dual-use goods, i.e., items with both commercial and military/strategic applications, while the State Department's Office of Defense Trade Controls (DTC) deals with defense articles, services, and related technology. Several other agencies issue licenses for particular goods. For a brief description of each agency's responsibilities and their contact information, visit http://www.bis.doc.gov/About/reslinks.htm. Contact BIS at 202-482-4811 or DTC at 703-875-6644 for more details.

U. S. businesses are reminded to comply with U. S. laws and regulations prohibiting actions supporting the Arab boycott against Israel. For questions concerning U. S. antiboycott regulations, contact the Office of Antiboycott Compliance at 202-482-2381.

ARE THERE SPECIAL DOCUMENTS REQUIRED TO EXPORT TO COUNTRIES IN THE MIDDLE EAST AND NORTH AFRICA?

The documentary requirements for exports to the Middle East and North Africa vary by country. Arab countries require that commercial invoices be certified either by the National U. S.-Arab Chamber of Commerce (http://www.arabchamber.org/uae/index.htm, tel: 202-289-5920) or, in the case of the United Arab Emirates, by the Arab American Chamber of Commerce (http://www.arabchamber.org/uae/index.htm) and legalized by each respective country's consulate. A list of foreign embassies and consulates in the United States is available on the Trade Information Center's website at http://www.export.gov/tic. Choose the link titled "Trade Offices Nationwide."

In order to take advantage of the free trade agreements with Israel and Jordan, a unique certificate of origin must be completed. For goods to meet FTA standards, they must have been made entirely in the United States and any third-country materials must have undergone a "substantial transformation" in the manufacturing process. In addition, at least 35% of the customs value of the product must be attributed to U. S. origin materials. Finally, the good must be shipped directly from the United States to its partner country. The certificate of origin for Israel can be obtained from an America-Israel Chamber of Commerce (http://www.americaisrael.org/). The certificate of origin for Jordan must be notarized, typically by the chamber of commerce in the exporter's area. To learn more about these certificates of origin or about the specific documents required for each Middle Eastern country, call the Trade Information Center at 1-800-USA-TRADE.

2006 Governor's Award for Excellence in Exporting

The Governor's Award for Excellence in Exporting recognizes one or more Oklahoma firms for successful and noteworthy efforts to increase export sales. Increasing exports means more jobs and enhanced economic development for Oklahoma.

If you would like to nominate your company or another company for the 2006 Governor's Award for Excellence in Exporting, call either 405/608-5302 or 800/TRY-OKLA, extension 223, or e-mail ashley.wilson@mail.doc.gov for an application. The application must be completed and returned by March 3, 2006.

Recent Winners of the Governor's Award for Excellence in Exporting

2005	Advance Food Company	Enid
	C. H. Guernsey & Company	Oklahoma City
2004	SCIFIT Systems, Inc.	Tulsa
2003	The Charles Machine Works, Inc.	Perry
2002	T. D. Williamson, Inc.	Tulsa
2001	Texoma Peanut Company	Madill
2000	Stillwater Designs	Stillwater
1999	Midwestern Manufacturing Company, Inc.	Tulsa
1998	George E. Failing Company (GEFCO)	Enid
1997	Doug Carson & Associates (DCA), Inc.	Cushing
1996	Lowrance Electronics, Inc.	Tulsa
1995	Continental/SiLite International	Oklahoma City
1994	BSW International	Tulsa
1993	SSI Custom Data Cards	Edmond
1992	Unarco Commercial Products	Oklahoma City

Finally, some Middle Eastern and North African countries require that documents used in international transactions be authenticated. This service is provided by the Department of State's Office of Authentication (http://www.state.gov/m/a/auth/).

ARE THERE ANY SPECIAL CONCERNS I SHOULD KEEP IN MIND WHEN MARKETING MY PRODUCT IN THE MIDDLE EAST AND NORTH AFRICA?

When marketing products overseas, regardless of the location, businesses should keep their target audience in mind and be sensitive to local conditions. While the countries of the Middle East and North Africa are not a monolith, there are, of course, significant differences between countries. Suggestive advertisements may be deemed offensive in Islamic countries given their more traditional standards of dress and behavior, particularly for women. Advertisements featuring alcohol or pork products are also likely to be poorly received. Use of Arabic and Hebrew script should be done carefully to avoid situations like that which befell a company that printed an Arabic phrase on bath towels, not realizing that the phrase had religious connotations.

More information about markets in each Middle Eastern and North African country can be found on the Trade Information Center website at http://www.export.gov/tic under the "Country Information" link.

HOW CAN I LEARN ABOUT TRAVEL ADVISORIES FOR A COUNTRY BEFORE I VISIT FOR BUSINESS?

The U. S. Department of State maintains information about country conditions around the world. For information concerning travel advisories, medical facilities, traffic safety/road conditions, crime, and other related issues, as well as entry requirements and visa information, please see the Consular Information Sheet for individual countries online at http://www.travel.state.gov or by autofax at 202-647-3000.

WHAT CUSTOMS SHOULD I BE AWARE OF WHEN I TRAVEL TO THE REGION FOR BUSINESS?

A basic knowledge of general Middle Eastern and North African customs can increase the likelihood of successful business negotiations and help avoid misunderstandings. The following is a brief list of some common customs that may make your meetings with a Middle Eastern partner more productive.

Greetings and Hospitality

Handshakes are a typical greeting in the Middle East and North Africa and are not only used during the first introduction, but may be used each time two people meet, even numerous times in a single day. For example, the common practice in Saudi Arabia is to shake hands at first meeting and again upon leaving.

Typically, people throughout the Middle East and North Africa maintain closer physical proximity while talking, and conversations often involve more physical contact than is common in the United States. Backing up to increase personal space may feel natural to an American, but will likely be seen as impolite or rude by an Arab or Israeli partner. However, when speaking with a person of the opposite sex, a respectful distance is best. Also, avoid sitting or crossing your legs in such a way that the bottom of your foot faces anyone. This is considered rude.

Middle Eastern and North African hosts tend to be very hospitable and regard treating guests with generosity and warmth as a point of personal honor. In Arab countries, lengthy small talk and ritualized greetings serve an important function, establishing friendly relations at the beginning of a meeting. Tea or coffee is typically offered by the host and should be accepted by the guest; to reject the offer may be seen as an affront.

When a guest in an Arab person's home, avoid giving gifts of food or drink. Though this may be common practice in the United States, in the Middle East and North Africa such gifts imply that the host is inadequate. Gifts of liquor should definitely be avoided In Islamic countries as alcohol is prohibited by the Muslim faith. In Israel, gifts of food or drink are acceptable, but one should ensure that the items are kosher, particularly in the case of Orthodox Jews.

Punctuality and Scheduling

Punctuality is not rigidly observed in many Middle Eastern and North African countries. However, though Middle Eastern and North African associates may be late, foreigners are expected to be punctual. Businesspeople should avoid the appearance of being in a hurry or impatient. Checking one's watch in a meeting can be deemed offensive.

Business hours differ from country to country and, in some cases, from city to city. You can find more information about business hours around the Middle East and North Africa in the Country Commercial Guide for each country. You can access these sources of market research prepared by U. S. Commercial Service staff abroad online at http://www.export.gov. Choose "Country and Industry Market Research" from the menu on the left side of the page and follow the prompts for "Country Commercial Guide."

Language

Though English is widely spoken in the business community, it is wise to have business cards printed both in English and in Arabic, or in the case of Israel, in English and Hebrew.

WHERE CAN I FIND OUT ABOUT BUSINESS HOLIDAYS?

Information about business holidays can be found on the Trade Information Center website at http://www.export.gov/tic. Select "Country Information" and then choose "Business Holidays" from the list on the left. Business travel to Israel during the ten-day period between Rosh Hashanah and Yom Kippur is best avoided. These are the "High Holidays," the most important Jewish holidays, typically falling within the month of September. Travel to Muslim countries during the holy month of Ramadan may also pose a unique challenge. Ramadan, the ninth month of the Islamic lunar calendar (typically beginning in November), is believed to be the time when the Koran, Islam's most sacred text, was sent down from heaven. To observe this holiday, Muslims fast for a full month, refraining from eating or drinking from sunrise to sunset every day, and focusing on contemplation and worship. Office hours are typically shortened and shifted to the evening, and people may be affected by the fasting and customary late night social gatherings.

For more information about any of the topics addressed in this article or other export-related questions, please call the Trade Information Center at 1-800-USA-TRADE or visit http://www.export.gov/tic, or contact either one of our offices.

Coming Attraction!

Oklahoma World Trade Conference

April 26, 2006 in Tulsa

February/March 2006 Calendar of Events

Date	*Event*	*Contact*
February 7, 2006	***Minority and Women's Breakfast*** Metro Tech Conference and Banquet Center, Oklahoma City	Aquilla Pugh 405/427-4444
March 7, 2006	***Minority and Women’s Breakfast*** Metro Tech Conference and Banquet Center, Oklahoma City	Aquilla Pugh 405/427-4444
March 20, 2006	***Middle East-North Africa Business Information Center Workshop*** Oklahoma Department of Commerce, Oklahoma City	405/608-5302 918/581-7650